

Angus Integration Joint Board

2019/20 Annual Audit Report - DRAFT



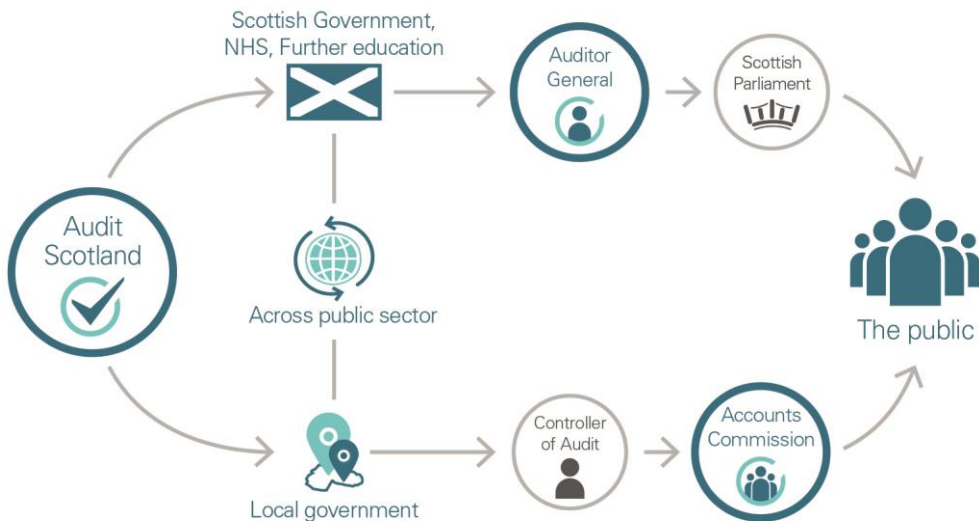
Prepared for Angus Integration Joint Board and the Controller of Audit

August 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual report and accounts

- 1 The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.
- 3 The IJB's annual accounts preparation and audit timetable was not delayed by the impact of Covid-19.

Financial management and sustainability

- 4 The IJB has appropriate and effective financial management arrangements. Medium term financial plans have been developed and are monitored on an ongoing basis.
- 5 Angus Integration Joint Board ended 2019/20 with a surplus of £2.477 million, increasing its reserves to £8.493 million. During the year, the IJB returned surplus reserves of £1.187 million from 2018/19 to its partners. It also did not fully draw down the funding available to it from the Scottish Government for 2019/20, with £1.176 million held on its behalf for future use. Despite the surplus in 2019/20 and increase in reserves, the IJB's strategic financial plan indicates that the reserves will be fully utilised in the next three years, with a significant recurring shortfall in 2022/23.
- 6 From March 2020 until the time of writing this report, the impact of Covid-19 on the IJB has been significant and continues to evolve. The impact on the provision of health and social care services is anticipated to be significant, and the financial cost associated with responding to this remains uncertain. The immediate and medium-term financial position of the IJB in relation to the pandemic is being actively monitored and reported on.

Governance, transparency and best value

- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board and its Audit Committee. The impact of Covid-19 is appropriately disclosed in the Governance Statement.
- 8 The IJB chose to report a summary Performance Report in June 2020 for inclusion within its Annual Accounts. It intends to submit the full Annual Performance Report in October 2020, in line with the revised Scottish Government timescale. The IJB actively monitors its performance and is proactive in its approach to addressing shortfalls.
- 9 Appropriate arrangements are in place to secure Best Value.
- 10 Angus IJB is committed to supporting and delivering change in mental health services following the independent inquiry into Mental Health Services in Tayside.

Introduction

1. This report is a summary of our findings arising from the 2019/20 audit of Angus Integration Joint Board (the IJB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit Committee meeting on 11 December 2019. This report comprises the findings from our main elements of work in 2019/20 including:

- an audit of the IJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have a substantial impact into financial year 2020/21. This has had significant implications for the provision and costs of services and the suspension of planned projects and activities. However, we have not had to amend our 2019/20 planned audit work and there were no new risks that related to the audit of the financial statements and the wider dimensions of audit due to Covid-19.

Adding value through the audit

4. We add value to the IJB, through audit, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations

- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice (2016), supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

12. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560, as agreed with the Chief Finance Officer, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

15. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The audited part of the remuneration report, management commentary, and annual governance statement were consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The IJB's annual accounts preparation and audit timetable was not delayed by the impact of Covid-19.

The annual report and accounts are the principal means of reporting financial performance and demonstrating stewardship of the resources put at the disposal of the body.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts for the year ended 31 March 2020 were approved by the Audit Committee on 26 August 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

17. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 outbreak. The working papers provided to support the accounts were of a good standard and the audit team received support from the Chief Finance Officer which helped ensure the final accounts audit process ran smoothly.

Applying the concept of materiality

18. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual report and accounts.

19. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. Upon receipt of the unaudited annual accounts we reviewed our materiality calculations and updated them (an increase of £100k to overall materiality). This change did not impact our audit approach.

20. Our revised materiality based on the unaudited accounts is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

Exhibit 2

Materiality values

Materiality level	Planning	Revised
Overall materiality	£1.6 million	£1.7 million
Performance materiality	£1.2 million	£1.3 million
Reporting threshold	£16 thousand	£17 thousand

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

21. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work. There were no additional audit risks reported to those charged with governance from the impact of Covid-19.

22. We have no issues to report from our work on the risks of material misstatement.

We have no significant findings to report on the annual accounts

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report.

24. There were no misstatements above our reporting thresholds identified from our audit. A small number of typos were identified, and these have been corrected in the audited annual accounts.

Good progress was made on prior year recommendations

25. The IJB has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

The IJB has appropriate and effective financial management. Medium term financial plans have been developed and are monitored on an ongoing basis.



The IJB ended 2019/20 with a surplus of £2.477 million, increasing its reserves to £8.493 million. During the year, the IJB returned surplus reserves of £1.187 million from 2018/19 to its partners. It also did not fully draw down the funding available to it from the Scottish Government for 2019/20, with £1.176 million held on its behalf for future use. Despite the surplus in 2019/20 and increase in reserves, the IJB's strategic financial plan indicates that the reserves will be fully utilised in the next three years, with a significant recurring shortfall in 2022/23.

From March 2020 until the time of writing this report, the impact of Covid-19 to the IJB has been significant and continues to evolve. The impact on the provision of health and social care services is anticipated to be significant, and the financial costs associated with responding to this remain uncertain. The immediate and medium-term financial position of the IJB in relation to the pandemic is being actively monitored and reported on.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

The 2019/20 budget included planned savings and contributions from reserves to address the funding gap.

26. The IJB formally approved its 2019/20 budget settlement with Angus Council in February 2019. Due to the complex nature of the NHS Tayside allocation, the IJB approved the general uplift of 2.6% to the settlement at its February 2019 meeting and continued discussions with NHS Tayside regarding specific allocations throughout the year. The budget was set at £171.763 million with an identified funding gap of £2.738 million. Plans to address this gap included savings of £2.094 million and use of £0.644 million reserves. Savings plans included ongoing delivery of the Angus Care Model, developing operational efficiencies in conjunction with the Executive Management Team and an ongoing Learning Disability Review.

27. Minor adjustments were made to the budget settlements with the IJB partner bodies during 2019/20. Throughout the year, the IJB's financial position improved, with early delivery of 2020/21 savings in Adult Social Care services, for example within the Learning Disability improvement programme, and the consolidation of previous good progress within Community Health Services.

The IJB operated within budget in 2019/20 and had an underspend of £2.477 million.

28. The IJB does not have any assets, nor does it directly incur expenditure or employ staff. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. 2019/20 year-end financial performance against budget is summarised in [Exhibit 4](#). During the year, funding contributions were reduced to account for the IJB's return of £1.187 million in reserves which was intended to alleviate financial pressures on the partner bodies. NHS Tayside passed on additional funding to the IJB reflecting Scottish Government allocations.

29. The initial 2019/20 budget was £171.763 million, which had increased by £1.871 million to £173.634 million by the year end.

Exhibit 4 Performance against budget

IJB budget summary	Original Budget £m	Additional/ (reduced) funding £m	Actual Outturn £m
Net Expenditure	172.407		171.157
NHS Tayside funding	124.261	2.710	126.971
Angus Council funding	47.502	(839)	46.663
Total Funding	171.763	1.871	173.634
Surplus for 2019/20			<u>2.477</u>
Reserves b/f 1/4/20			6.016
Total Reserves as at 31/3/20 (General Fund £4.500m; Earmarked reserves £3.993m)			8.493

Source: Angus IJB Finance Reports and 2019/20 Annual Accounts

The IJB has appropriate budget monitoring arrangements

30. We observed throughout the year that senior management and members received regular and accurate financial information on the IJB's financial position. Reports presented to the IJB forecast an underspend from early in the year and were clear in the actions being taken in relation to identified savings initiatives. Covid-19 had minimal financial impact in 2019/20 but this is recognised as a significant challenge for 2020/21.

31. The IJB updated its Reserves Policy in October 2019, and subsequently agreed at its April 2020 meeting to increase its contingency reserve from 2% to 2.5% of net expenditure. The level of reserves held at the year-end is in line with this strategy and includes several earmarked reserves for identified future investment.

32. The IJB has appropriate budget monitoring arrangements.

The IJB has a medium-term financial plan

33. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered. The IJB prepares a three-year strategic financial plan and reports updates on this to the board regularly. Despite the surplus in 2019/20 and increase in level of reserves, the IJB's strategic financial plan indicates that the reserves will be fully consumed during 2022/23 and identifies a recurring funding gap of £6.6 million in 2022/23.



Recommendation 1

The IJB should ensure that detailed savings plans are developed to address the financial shortfall identified in the Strategic Financial Plan.

34. We conclude that the IJB has appropriate and effective financial planning arrangements in place. Maintaining financial sustainability remains a significant challenge over the medium to longer term, and the IJB must plan to address that risk.

The financial impact of the Covid-19 pandemic is likely to be significant on future financial plans

35. The impact of Covid-19 on the IJB has been significant and continues to evolve. The impact on the provision of health and social care services is anticipated to be significant, and the financial costs associated with responding to this remain uncertain. In responding to Covid-19, the IJB has not been able to progress savings plans as intended and it will revisit its financial plans accordingly as current plans will be significantly impaired by the pandemic. It is also unclear whether additional Scottish Government funding will be received by the IJB to cover the additional costs incurred as a result of its response to Covid-19.

36. The immediate and medium-term financial position of the IJB in relation to the pandemic is being actively monitored.

Financial systems of internal control operated effectively

37. Angus IJB relies on the information generated by its partner bodies (Angus Council and NHS Tayside) for key financial systems such as the general ledger and payroll. The details of the IJB's financial transactions are processed through the partners' systems and those partners are responsible for appropriate systems of internal control. The IJB's transactions are maintained separately from those of the partner bodies in their respective ledgers.

38. As part of our audit approach we sought assurances from the external auditor of NHS Tayside and Angus Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control for the health board and no weaknesses in the systems of internal control for the council which would have an impact on the IJB.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

39. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partnership bodies. We reviewed the arrangements in place at Angus Council and NHS Tayside and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest is publicly available on the Board's website.

40. Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

Part 3

Governance, transparency and best value



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board and its Audit Committee. The impact of Covid-19 is appropriately disclosed in the Governance Statement.



The IJB chose to report a summary Performance Report in June 2020 for inclusion within its Annual Accounts. It intends to submit the full Annual Performance Report in October 2020, in line with the revised Scottish Government timescale. The IJB actively monitors its performance and is proactive in its approach to addressing shortfalls.

Appropriate arrangements are in place to secure Best Value.

Angus IJB is committed to supporting and delivering change in mental health services following the independent inquiry into Mental Health Services in Tayside.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Governance arrangements are appropriate

41. The governance and transparency arrangements we consider include:

- board and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption.
- openness of board and committees
- reporting of performance and whether this is fair, balanced and understandable.

42. The Chief Officer was appointed in February 2020 on an interim basis; this interim appointment has since been extended. The Interim Chief Officer's previous role in the IJB was also filled on an interim basis. The IJB and its partners will need to progress the recruitment of a permanent Chief Officer and any related interim roles.

The Covid-19 pandemic did not have a significant impact on governance arrangements from March 2020 and business has continued to operate

43. The impact of Covid-19 from March 2020 has been appropriately disclosed within the Governance Statement in the IJB's annual accounts. Operations were not significantly affected during 2019/20, with the impact of Covid-19 crystallising in 2020/21. The IJB and Audit Committee are both continuing their scrutiny and governance role with virtual meetings taking place. The IJB has also revised reporting arrangements and timetables in response to the situation, and the board has led each meeting with an update on Covid-19 developments.

44. The revised governance arrangements are appropriate and are disclosed within the governance statement. They support good governance and accountability within the IJB, with scrutiny of decisions by members continuing to be supported by officers.

Best Value is concerned with using resources effectively and continually improving services.

Arrangements are in place to secure Best Value

45. Integration Joint Boards have a statutory duty to make arrangements to secure best value. To achieve this, IJBs should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

46. The IJB's strategic objectives are set out in its Strategic Commissioning Plan, supported by the Strategic Financial Plan, the Angus Joint Strategic Needs Assessment and four Locality Improvement Plans which are specifically targeted to address each locality's needs. The board monitors its progress in line with its strategic objectives, receives reports on performance twice a year and regularly reviews updates to its strategic financial plans. A commitment to obtaining best value is demonstrated by the IJB through the scale of change that is being progressed through it, and its ongoing review of services.

Performance management and reporting is appropriate

47. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as: assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities and the inspection of services.

48. Performance management reports are reviewed by the Board throughout the year. For 2019/20, the submission deadline for the IJB's Annual Performance Report has been extended as a result of Covid-19. Angus IJB have chosen to include a summary Annual Performance Report within their Annual Accounts and anticipate presenting a full report to the board in October 2020. This is in line with the new submission timeline set by the Scottish Government. We will review the completed Annual Performance Report as part of our 2020/21 audit work.

49. Performance is reviewed regularly by the board throughout the year and the IJB takes a pro-active approach in addressing any shortcomings in performance against the national indicators. During 2019/20, for example, a report was produced (October 2019) which investigated the underlying trends influencing the increase in fall admissions in Angus compared to Scotland. This identified that Angus's success of shifting the balance of care has increased the percentage of the 85 and over population living at home, i.e. those at greatest likelihood of a fall admission. A further report in February 2020 also highlighted a change in coding used at Ninewells Hospital which resulted in admissions being overstated. It is noted that the condensed 2019/20 Performance Report includes a reduction in falls admissions since the prior year, although national indicators are not yet available for comparison.

50. The IJB has effective arrangements for managing performance and whether targets are being met. Its choice to produce a condensed Performance Report prior to the Annual Performance Report demonstrates its commitment to performance monitoring.

Angus IJB is committed to supporting and delivering change in mental health services following the independent inquiry into Mental Health Services in Tayside.

51. In February 2020, the Independent Inquiry into Mental Health Services in Tayside published its final report 'Trust and Respect'. The inquiry report was highly critical and contained 51 recommendations for improvement, to be actioned by NHS Tayside and other bodies including the Tayside IJBs.

52. The inquiry report was presented to the IJB on 26 February 2020. Angus IJB considers progress on its response to the inquiry report as a standing item at board meetings.

53. In March 2020, the Minister for Mental Health made a statement to the Scottish Parliament on the inquiry report. This said that responsibility for leadership of the operational delivery of general adult psychiatry inpatient services delegated to Angus, Dundee City and Perth and Kinross IJBs should transfer to be the responsibility of NHS Tayside. This requires a change in the Angus Integration Scheme. Angus IJB retains responsibility for community based mental health services provided in Angus.

54. Angus IJB's Chief Officer is one of the members of the Tayside Executive Partners Strategic Leadership Group which will consider plans for redesign and service change and monitor the change programme of work. A final action plan "Listen, Learn, Change: An Action Plan for Mental Health Services in Tayside 2020" was agreed by the relevant bodies and submitted to the Scottish Government in July 2020.

55. In February 2021 Dr David Strang, who led the inquiry, is to report on progress made in response to the inquiry report. We will monitor and report on the IJB's engagement with and ownership of planned improvement actions in our 2020/21 Annual Audit Report.

National performance audit reports

56. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published some reports which may be of direct interest to the board as outlined in [Appendix 3](#).

57. There is a standing item on the Audit Committee meeting agenda to highlight any published external reports which are relevant to the IJB. This has included several of the Audit Scotland national reports throughout 2019/20, along with links to the full reports.

58. The IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial Sustainability</p> <p>While the IJB reported an underspend this year and returned a proportion of reserves to Partners, the update to the Strategic Financial Plan 2020/21 – 2022/23 (presented in April 2020) identifies a recurring funding shortfall of £6.6 million by 2022/23.</p> <p>The IJB approved a proposal to increase the contingency Reserve held from 2% to 2.5% in April 2020 (increase from £3.4 million to £4.5 million). This has allowed the IJB to move closer to a balanced plan in the short term but does not address underlying shortfalls.</p> <p>The IJB still faces significant financial pressures and must identify further sustainable savings measures.</p> <p>Risk – The IJB's operating model is not financially sustainable.</p>	<p>The IJB should ensure that detailed savings plans are developed to address the recurring financial shortfall identified in the Strategic Financial Plan.</p> <p>Paragraph 33</p>	<p>The IJB accepts the need to work towards addressing long term recurring shortfalls in the Strategic Financial Plan. The IJB will present proposals to address these shortfalls to its December 2020 Board meeting.</p> <p>Chief Finance Officer December 2020</p>

Follow up of prior year recommendations

b/f	<p>Financial reporting</p> <p>There was a gap in financial reporting to the Board between February 2019 and June 2019, as the April 2019 meeting focussed on the Strategic Financial Plan 2019/20-2021/22 (approved at the meeting along with the Strategic Commissioning Plan 2019-2022). The £5 million year end surplus came as a surprise to IJB members at the June meeting.</p>	<p>The IJB should receive a finance report at each meeting, to inform members of the most recent financial position.</p>	<p>A Finance Report was presented to every board meeting in 2019/20. (Not required for the Special Meeting in January 2020.)</p> <p>A projected underspend of £2.1 million was identified in the August 2019 Finance Report and this progressively increased within each subsequent Report throughout the year. The June 2020 year-end Report confirmed a management underspend of £4.4 million, which was expected by the Board after a projected underspend of £4.3</p>
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Risk – IJB members are not sighted on the current financial position.

million was presented in April 2020.

Complete

b/f	Financial sustainability	The IJB should ensure that detailed savings plans are developed to address the financial shortfall identified in the Strategic Financial Plan.	Despite achieving a surplus in 2019/20 and increasing its level of reserves, the IJB forecasts that it will fully consume its reserves during 2022/23 and has identified funding gaps in its strategic financial plan. Refer to Recommendation 1 above.
	The Strategic Financial Plan 2019/20 - 2021/22 forecasts an annual financial shortfall of £6 million by 2021/22. The IJB does not currently have detailed savings plans to address this shortfall. Under the Integration Scheme, IJB overspends must be met by the partner bodies, but these organisations also face considerable financial pressures.		In Progress
	Risk – The IJB’s operating model is not financially sustainable.		
b/f	Delegated authority in the Standing Orders	The remit of the Audit Committee within the Standing Orders should be updated to specify the delegated authority to the Audit Committee to approve the annual accounts on behalf of the Board.	The Standing Orders were reviewed and revised to include delegated authority to the Audit Committee to approve the annual accounts on behalf of the Board. The updated Standing Orders were presented to the board at its meeting on 26 February 2020, where it approved the revisions.
	The IJB’s Standing Orders state that the remit of the Audit Committee includes scrutinising the annual accounts. The Board has not formally delegated authority to approve the annual accounts, although that is what happens in practice.		Complete
	Risk – the Standing Orders do not delegate responsibility for approving the accounts and so the IJB does not comply with Standing Orders.		
b/f	Capacity restrictions improvements	The IJB should work with partner bodies to secure adequate capacity to deliver improvements.	NHS Tayside committed to re-align the finance structure that existed within NHS Tayside to local IJB CFOs across Tayside from January 2020. This has supported the recruitment of a new staff member to support the CFO and improvement to capacity has been evident. However, the IJB still faces challenges to the delivery of commitments due to capacity restrictions. Discussions remain ongoing with Angus Council regarding their duty to ensure that appropriate support is provided to the IJB Section 95 Officer.
	The IJB has identified and reported on a number of planned governance improvements over the past 3 years. One of the main barriers in progressing planned improvements is lack of capacity, particularly corporate support from the partner bodies.		In Progress
	Risk – the IJB is unable to implement planned improvements; over time, this will impede the IJB’s effectiveness and cause reputational damage to the IJB if it does not deliver on its commitment to develop these areas.		

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Detailed testing of accounting entries.</p> <p>Service auditor assurances will be obtained from the auditors of Angus Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>Assurances from the external auditors of NHS Tayside and Angus Council confirmed there were no weaknesses in the systems of internal controls for the health board and no weaknesses in the systems of internal controls for the Council which would have an impact on the IJB.</p> <p>Satisfactory</p>
<p>2 Financial Statements Preparation</p> <p>Preparation of the IJB financial statements relies on the provision of financial information from the systems of the two partner bodies. The Chief Finance Officer of the IJB must obtain assurance that the costs transferred to the accounts of the IJB are complete and accurate and incurred on behalf of the IJB for services prescribed in the integration scheme. There is a risk that the Chief Finance Officer does not obtain adequate assurance that information received from each party is accurate and complete.</p>	<p>Review of the annual governance statement to ensure it adequately reflects the position of the IJB and complies with the Code.</p> <p>Confirm appropriate action is taken on issues raised in internal audit reports.</p> <p>Confirm that financial reporting throughout the year is accurately reflected in the year end position.</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</p> <p>Obtain formal assurances from the auditors of Angus Council and NHS Tayside.</p>	<p>Assurances have been received from the auditors of Angus Council and NHS Tayside that the control systems do not have any material weaknesses that would impact on the preparation of the IJB accounts.</p> <p>The Annual Governance Statement has been audited and supporting assurances obtained and reviewed.</p> <p>2019/20 finance reports have been reviewed and the year-end position is reflected accurately.</p> <p>Satisfactory</p>
<p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is</p>	<p>Obtain service auditors assurances from the auditors of Angus Council and NHS Tayside over the accuracy and completeness and appropriate allocation of the IJB ledger entries.</p>	<p>Auditor assurance were obtained, and our audit testing results were satisfactory.</p> <p>We concluded that we could rely on the accuracy and completeness and appropriate</p>

Audit risk	Assurance procedure	Results and conclusions
<p>a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. The IJB is reliant on counter fraud arrangements at its two partner bodies; the Chief Finance Officer should obtain sufficient assurances from partner bodies on the effectiveness of these arrangements.</p>	<p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</p>	<p>allocation of the IJB ledger entries.</p> <p>Satisfactory</p>
<p>4 Large hospital set aside</p> <p>In the fourth year of operation of the IJB, it is important to establish whether the Large Hospital Set Aside arrangement, and financial reporting thereof, is working as intended.</p>	<p>Review of the large hospital set aside methodology and relevant data.</p>	<p>The Large Hospital Set Aside methodology meets the Scottish Government's requirements for transitional arrangements and is consistent to that agreed Tayside-wide.</p> <p>As part of the 2020/21 budget setting process, NHS Tayside agreed to transfer £1m to Dundee City IJB as a direct result of the LHSA and reduction in occupied bed days that Dundee City IJB could demonstrate over the last few years. It is unclear whether there is scope for further transfer of funds to Angus and Perth & Kinross IJBs.</p> <p>We had intended to discuss the activity data validation process with the IJB's LIST officer (regarding the length of time it takes to provide data for the LHSA calculation) but we have postponed this query to allow him to focus on the Covid-19 response.</p> <p>Ongoing</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>5 Financial sustainability</p> <p>NHS Tayside and Angus Council face significant financial pressures from funding reductions and increasing demand.</p> <p>There is a risk that the IJB in partnership with NHS Tayside and Angus Council may not be able to identify sustainable savings measures or meet cost pressures as they arise.</p> <p>The Integration Joint Board's Strategic Financial Plan 2019-22 (as reported in April 2019) identified a funding gap of more than £7.6m by 2021/22. This plan was updated in December</p>	<p>Review progress made on savings targets and dealing with cost pressures.</p> <p>Reviewing the strategic financial plan update and the assumptions made to ensure that they are reasonable.</p>	<p>While the IJB reported an underspend this year and returned a proportion of reserves to its partners, the update to the Strategic Financial Plan 2020/21 – 2022/23 (presented in April 2020) identifies a cumulative funding shortfall of £6.6 million by 2022/23.</p> <p>The IJB approved a proposal to increase the contingency Reserve held from 2% to 2.5% in April 2020 (increase from £3.4 million to £4.5 million). This has allowed the IJB to move closer to a balanced financial plan in the short term but does not address underlying shortfalls.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2019, with an identified funding shortfall of £8.2m by 2022/23.</p>		<p>The IJB still faces significant financial pressures and must identify further sustainable savings measures.</p> <p>Ongoing</p>
<p>6 Value for money</p> <p>The Integration Joint Board has delivered several service improvements which moved resources into community-based care rather than hospital-based care. However, the Integration Joint Board faces more severe challenges to address increasing demands and the demographic pressures of an ageing, and longer-lived, population, while remaining within its resource constraints.</p> <p>Collaborative working with partner bodies and other Integration Joint Boards may provide some improvements, but more significant decisions may have to be taken by Integration Joint Board members. The Integration Joint Board has identified that a lack of capacity may undermine its ability to deliver more fundamental transformation of health and social care provision.</p>	<p>Review of how the IJB demonstrates its duty of best value</p> <p>Consider the adequacy of the IJB's strategic plans for meeting local needs within resource constraints.</p>	<p>While the IJB will not report in detail on its arrangements for securing Best Value until the Annual Performance Report is published in October 2020, it has demonstrated an ongoing commitment to obtaining value for money throughout 2019/20.</p> <p>The IJB has a significant programme of change underway including programmes such as ongoing development of the Angus Care Model and the progression of the Residential Care Review.</p> <p>The four localities in Angus each have a Locality Improvement Plan 2019-2022 which feed into the Angus Strategic Commissioning Plan and are specifically targeted to address each locality's needs.</p> <p>Regular updates to the Strategic Financial Plan (which supports the Strategic Commissioning Plan) are presented to the Board to highlight any emerging or developing financial pressures.</p> <p>Ongoing</p>

Appendix 3

Summary of national performance reports 2019/20

		 2019/20 Reports	
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

NHS relevant reports

[NHS workforce planning – part 2](#) (August 2019)

[NHS in Scotland 2019](#) (October 2019)

LG relevant reports

[Local Government in Scotland: Financial overview 2018/19](#) – December 2019

Angus Angus Integration Joint Board

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